DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date MAY 9 1996

From Michael Mangano for June Gibbs Brown
Inspector General

Subject Review of the Ongoing Los Angeles County Fingerprinting Demonstration Project (A-09-95-00054)

To Mary Jo Bane
Assistant Secretary
for Children and Families

Attached are two copies of the Department of Health and Human Services, Office of Inspector General audit report entitled, "Review of the Ongoing Los Angeles County Fingerprinting Demonstration Project." The project involves the demonstration of a computerized fingerprinting system known as the Automated Fingerprint Image Reporting and Match System, usually referred to as AFIRM.

Officials in your office have been briefed on results of our review. We have made no recommendations in this report. However, we would appreciate receiving your comments on the information provided in this report within 60 days from the date of this memorandum. Should you wish to discuss the issues included in the report, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Audit Services, Administrations of Children, Family, and Aging Audits at (202) 619-1175.

To facilitate identification, please refer to Common Identification Number A-09-95-00054.

Attachment

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF THE ONGOING LOS ANGELES COUNTY FINGERPRINTING DEMONSTRATION PROJECT

JUNE GIBBS BROWN
Inspector General

MAY 1996
A-09-95-00054

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date MAY 9 1996

From for June Gibbs Brown
Inspector General

Subject Review of the Ongoing Los Angeles County Fingerprinting Demonstration Project (A-09-95-00054)

To Mary Jo Bane
Assistant Secretary
for Children and Families

This report presents the results of our review of an ongoing Los Angeles County demonstration project named the Automated Fingerprint Image Reporting and Match System (AFIRM). This 3-year project runs from April 1994 through March 1997, and is operated by the Los Angeles County Department of Public Social Services (LA County) under an agreement with the California State Department of Social Services (the State). It has been funded for $20.6 million, with half to be provided by the Federal Government.

The project addresses problems involving multiple-case fraud[1] in the Aid to Families with Dependent Children (AFDC) program. The principal purposes of the project are to demonstrate that AFIRM:

- will prevent, detect and deter AFDC multiple-case fraud;
- is cost-effective; and
- will assist the provision of timely, fair and equitable service to eligible families.

Our review was initiated based on a request by officials of the Administration for Children and Families (ACF). They told us that there was an increasing interest by States and other jurisdictions in using fingerprinting for minimizing AFDC multiple-case fraud. The ACF anticipated that other applications may be received for Federal funds for the use of fingerprinting under the AFDC program, and that an early review of the AFIRM project would provide useful information for decision-making purposes.

We provided the State and LA County with a draft of our report for comment. On the basis of the comments received, we have modified our report to address their concerns and to include updated information on project results. We have not attached their comments to the final report because the comments are no longer applicable.

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[1] The project defined multiple-case fraud as when an individual receives concurrent benefits for the same child(ren) on two or more AFDC cases. Typically, it involves the individual and children applying for benefits using their true identities, the identities of fictitious or nonexistent persons, or the identities of other persons.

OBJECTIVES

The objectives of our review were to evaluate:

- The results obtained thus far under the project, recognizing that the project is ongoing and that the results are preliminary and subject to change.

- Project achievements in terms of meeting the requirement that it be cost neutral; i.e., the project costs should be offset by program savings generated by the project.

SUMMARY OF RESULTS OF REVIEW

Our review showed that the AFIRM project met the cost neutrality provision, and achieved savings and positive results in addressing issues involving welfare fraud. The program savings related not only to situations involving multiple-case fraud, but to other situations as well.

After implementation of AFIRM in April 1994, significant savings resulted from the discontinuance of AFDC and Food Stamp assistance to a large number of cases in LA County. The LA County has estimated total savings to be $86 million over the AFIRM project period. The net savings, i.e., total program savings less total project costs, were estimated to be $66 million. These savings were primarily attributable to AFDC cases for which assistance had been terminated because the persons for whom fingerprinting was required did not:

(i) show up for the fingerprinting appointment, *and*

(ii) at a later date, keep an appointment for a special eligibility interview.

Although the AFIRM project was designed to combat multiple-case fraud, the results also showed an impact on other types of welfare fraud. Information obtained during our audit showed that LA County, in investigating a sample of 137 no-show cases, had obtained evidence of a high incidence of non-multiple-case fraud such as concealing income or misrepresenting household composition.

Updated information provided to us by LA County after the completion of our audit field work in response to a preliminary draft audit report showed that 63 of the 137 sample cases investigated, or 46 percent, had evidence of non-multiple case fraud. We were informed that the investigations had also identified 8 confirmed and 23 suspected instances of multiple-case fraud, representing 23 percent of the sample cases investigated. As noted in the Scope, we did not perform additional auditing procedures to substantiate this updated information.

In addition to the no-show cases, LA County identified 25 instances of suspected multiple-case fraud through recording and matching the fingerprints of over 280,000 AFDC recipients. However, 11 of the 25 matches were the result of processing errors.

We are not making any recommendations with regard to the ongoing AFIRM project. In this report, we are providing information to ACF on the implementation and operation of the project for ACF's use in making future decisions involving the use of automated fingerprinting technology in the AFDC program.

BACKGROUND

To assist States in promoting the objectives of the AFDC program, Section 1115 of the Social Security Act allows the Secretary of Health and Human Services to waive certain Social Security Act requirements for purposes of conducting demonstration projects. In November 1992, the State submitted a demonstration project proposal to expand the Los Angeles County General Relief (GR) program's automated fingerprint imaging system to the AFDC program. It was approved on January 8, 1993 by ACF. Under a memorandum of understanding, the State granted authority to LA County to operate the demonstration project.

The key terms of the project as approved by ACF were:

- Cost - $20.6 million with a Federal share of $10.3 million.
- Project Period - 3 years which began in April 1994 and is scheduled to end in March 1997.
- Scope - All new AFDC applicants and nearly all of the existing AFDC caseload (about 311,000 cases) in Los Angeles County. An exception is a control group of about 16,000 cases used for evaluation and measurement purposes.

The proposal indicated that the expansion of the AFIRM system to the AFDC program was needed because the program's conventional means of detecting multiple-case fraud were limited in their effectiveness. The automated fingerprint imaging system was designed to help in eliminating multiple-case fraud by scanning AFDC recipients' and applicants' fingerprints electronically, storing the images in a computer database, matching the fingerprints against all others recorded on the database and identifying situations in which the fingerprints match.

The extent to which multiple-case fraud existed in the AFDC program was not known at the time the project was proposed. In the project application, the State cited the results of the Los Angeles County GR program's fingerprint imaging project, which is operated without the assistance of Federal funds. Based on the GR program's results, multiple-case fraud was estimated to prevail in 1.5 percent of the AFDC population in Los Angeles County.

SCOPE

Our review was conducted in accordance with generally accepted government auditing standards for performance audits. The objectives of our review were to evaluate: (i) the results obtained thus far under the project, and (ii) project achievements in terms of meeting the requirement that it be cost neutral. Although our review was limited to the AFDC program, the savings shown in our report include the ancillary amount from the Medicaid and Food Stamp programs.

Our review did not include an evaluation of the project objective of assisting in the provision of timely, fair and equitable services to eligible families. However, in a contract that LA County has with a management consulting firm, an evaluation is required which covers this area.

In accomplishing our objectives, we analyzed the data provided to us by LA County and used AFIRM criteria to draw our conclusions. We did not evaluate the terms and conditions of the AFIRM project. Specifically, we reviewed:

- Investigative case summaries for the AFDC cases where evidence of multiple-case fraud was detected through the matching of fingerprints under the AFIRM project.

- Welfare fraud files for a judgmental sample of 137 cases investigated by LA County under the AFIRM project. We reviewed the welfare fraud files prior to LA County's completion of its investigations. Subsequent to our field work, LA County provided us with the final results. We did not perform any additional audit procedures on the new information.

- Documentation in support of savings reported under the project. For our review, we relied upon the AFDC program benefit data - such as the amount of AFDC payments and reasons for the termination of assistance - provided by LA County. We did not independently test the data.

- Reports generated or issued for the AFIRM demonstration project.

The objectives of this review did not require a comprehensive understanding or assessment of the management controls over all AFDC procedures for preventing, detecting and deterring multiple-case fraud in the AFDC program. Accordingly, our review of management controls was limited to obtaining an understanding of the AFIRM fingerprinting, matching and reporting processes. Specifically, we:

- reviewed the AFIRM demonstration project proposal which explained the objectives and methodology of the project,
- reviewed the agreement between ACF and the State which defined the terms and conditions for the LA County AFIRM demonstration project,
- discussed with various State, LA County and ACF officials the purpose, procedures and methodology of the AFIRM demonstration project,
- reviewed LA County policies and procedures for the AFIRM project, and
- performed an on-site observation of the AFDC fingerprint imaging, matching and reporting process at an LA County welfare office. Our review did not include an evaluation of the AFIRM biometrics technology such as the fingerprinting scanner equipment, computer hardware and software.

Our review was initiated based on a request by ACF officials. They indicated that there was an increasing interest by States and other jurisdictions in using fingerprinting for minimizing AFDC multiple-case fraud. It is our understanding that the results of our review may be used in the evaluation of similar project proposals that may be developed in the future. Our review did not include a comparison of automated fingerprint imaging technology to other types of automated identification technology currently being marketed and used.

The work was performed at State offices in Sacramento, California and LA County offices in Los Angeles, California during the period December 1994 through August 1995. Subsequent to the completion of our field work LA county completed its investigation of the 137 cases. The results were provided to us in January 1996 and considered in the preparation of this report.

DETAILED RESULTS OF REVIEW

PROJECT RESULTS

After the implementation of the AFIRM project in April 1994, significant savings occurred which related to the discontinuance of AFDC and food stamp assistance to a large number of cases in Los Angeles County. The LA County reported program savings of $4.5 million for the first month in which savings were calculated (August 1994), and has estimated that total savings will be $86 million over the project period. The net savings, after deducting the total estimated project costs, were estimated at $66 million. These savings were primarily attributable to AFDC recipients who did not show up for fingerprinting (no-show cases) and were later removed from public assistance.

Investigations of a sample of no-show cases conducted by LA County found that there were strong indications of various types of fraud, such as the establishment of multiple cases, concealment of income, and misrepresentation of household composition or residency. Information provided by LA County showed that 69 percent of the cases investigated contained evidence of potential fraud.

Fraud investigators have told us that multiple-case fraud is very difficult to determine for the no-show cases. Often, it may not be possible to make firm conclusions unless the individual comes in for fingerprinting. Even in cases where multiple-case fraud is suspected, investigators often are not able to identify the "other case." And, in many of the no-show cases, the individuals could not even be located for interviewing.

In addition, as of May 31, 1995, 25 cases had been identified through the matching of fingerprints and were referred to the Los Angeles County District Attorney for possible prosecution. We were informed that 11 of those cases had sufficient evidence to warrant prosecution for multiple-case fraud.

PROJECT REQUIREMENTS

Fingerprinting as a Condition of Eligibility. The terms and conditions of the project require fingerprinting as a condition of eligibility for the AFDC program. Persons for whom fingerprinting is mandatory are defined as:

- An adult who receives AFDC payments,
- A minor parent receiving benefits, or

- An adult payee who is not aided, but collects benefits for one or more children.

Children were not required to be fingerprinted.

Sanctions for Not Cooperating. The project contains the following provisions for persons who do not cooperate with the requirement to be fingerprinted:

- For cases with an adult who receives AFDC payments, or a minor parent receiving payments, those individuals are removed from the AFDC case and the payment is reduced.

- For cases with an adult payee who is not aided (children are the only recipients), the payments are not reduced, but the cases may be investigated for potential fraud.

Under the above provisions, AFDC assistance would continue for the children in the household even though the adult member or minor parent of the household did not submit to the fingerprinting requirement. The ACF's position was that no harm should be placed on children for the actions, or in this case the lack of actions, by individuals requiring fingerprinting.

Follow-Up Eligibility Requirement. After the AFIRM project was approved, LA County introduced a follow-up eligibility procedure that applied to all individuals who were required to be fingerprinted but did not show up for the scheduled appointment. They were sent a letter requiring them to come in for a special eligibility interview at a specified date, time and place. If the individual did not show up for the interview, the entire AFDC case that he or she belonged to was dropped from assistance.

PROJECT MEASUREMENTS

The Use of a Control Group and an Experimental Group. The principal method included in the project for measuring results was to make comparisons between a control group and an experimental group. Each group was selected randomly from the approximately 311,000 AFDC cases that existed in Los Angeles County at the time the project was implemented in April 1994. Descriptions of these two groups are as follows:

- The control group was exempted from the fingerprinting requirement. There were about 16,000 cases in the control group.

- The experimental group was selected from the remaining portion of the caseload and was required to meet the fingerprinting condition. This group contained about 24,000 cases.

The project design presumed that the control group and the experimental group were identical in all respects except for the fingerprinting requirement. Thus, in measuring project results it was expected that there would be more significant decreases in the AFDC caseload and corresponding assistance payments for the experimental group than would occur for the control group. The difference in total payments between the two groups would represent savings attributable to the prevention, detection and deterrence ~~of~~ multiple-case fraud. These savings and caseload reductions were to be used in both the cost neutrality and evaluation provisions of the project.

Cost Neutrality Provisions. The project terms and conditions state that the demonstration project must be cost neutral to the Federal Government; i.e., it should not result in additional costs than would be incurred in the absence of this project. In other words, the project should generate enough savings to offset the costs. The savings, as described above, were to be used in quarterly comparisons with total cumulative project costs to determine whether the cost neutrality requirement was met.

Case Investigation Provisions. The evaluation requirements for the project directed LA County to determine the incidence of possible fraud for a sample of AFDC recipients and payees who failed to cooperate with the fingerprinting requirements. The terms and conditions required that LA County select a random sample of 100 to 200 cases, and to use the county investigative staff to review these cases.

SAVINGS

Using agreed upon procedures, LA County has reported that the project met the cost neutrality provisions of the project. The LA County estimated that the project generated about $4.5 million in savings during the month of August 1994 consisting of $4 million for the AFDC program and $0.5 million for the Food Stamp program. August was selected for making the estimate because it was the first month following the fingerprinting of all cases included in the experimental group. The project assumed that these savings would continue at a diminishing rate over the remaining life of the project. In a progress report for the year ended April 30, 1995, LA County estimated total savings of $86 million[2] over the project period. The net savings, total program savings less total project costs, were estimated to be $66 million. According to LA County, these savings demonstrate the effectiveness of AFIRM for combating multiple-case fraud.

Composition of Reported Savings. Savings represent the difference in total payments between the experimental and control groups and were expected to be attributable to the prevention, detection and deterrence of multiple-case fraud. In our review, we analyzed

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[2] In a preliminary report, savings were estimated at $116 million over the project period. The decrease in estimated savings from $116 million to $86 million was due to LA County's recognition of cases returning back to the AFDC and Food Stamp programs.

the changes that occurred with the cases in the control group and the experimental group between April 1994, when they were selected, and August 1994, when the savings computation was made. The only significant difference between the two groups consisted of the cases in the experimental group that were removed from AFDC assistance for failing to attend the special eligibility interview. In all other aspects, there were no significant differences in changes in AFDC status between the two groups.

Most of the reported savings generated by the project were due to cutting off assistance for the no-show cases and related to more situations than just those involving multiple-case fraud. Under the terms and conditions of the project, the savings measurement did not distinguish between savings attributed to multiple-case fraud and savings attributable to other situations. For example, routine transactions affecting the amount of AFDC payments during the test period were comparable for both groups. Increases occurred for such reasons as added children in the household and the reduction or loss of available income. Decreases in payments resulted from normal attrition for reasons such as marriage, employment, changes in residence and eligibility screening.

INVESTIGATIONS

The terms and conditions of the AFIRM project required an investigation of a sample of cases where the recipients failed to submit to fingerprinting. One of the purposes of the investigations was to determine the existence of possible multiple-case fraud in that population. In conducting the investigation, LA County relied on the experience and judgment of its fraud investigators for classifying cases as multiple-case fraud.

Investigations of No-Show Cases. As required under the project terms and conditions, LA County selected and investigated a random sample of 137 terminated no-show cases to determine the incidence of possible fraud. In these cases, the persons for whom fingerprinting was mandatory did not:

(i) show up for the fingerprinting appointment, *and*

(ii) at a later date, keep an appointment for the special eligibility interview.

The selection of the 137 sample cases was made from terminated cases that were recorded in June, August and September 1994. There were 5,935 such cases recorded for those months. Our review of the methodology disclosed that the selection was made randomly, but the sample results would not be statistically representative of all such no-show cases since the sample included cases for only those 3 months and not the entire population of no-show cases. We estimated that more than 9,000 no-show cases had been terminated.

Information provided to us by LA County during our audit showed that, as of May 31, 1995, potential fraud existed in 94 of the 137 cases (69 percent) as illustrated in the table below.

Investigation Results	Number of Cases
Potential Positive Results	
Multiple-case fraud findings	4
Other fraud findings dealing with household composition, unreported income, and residency	90
Negative Results	
Misrepresentation of Eligibility Facts, but No Overpayment	10
Unable to Determine	6
No Fraud Found	27
Total Cases Investigated	137

The preliminary results of LA County's investigations showed that significant problems prevail with the no-show cases. The four cases classified as potential multiple-case fraud consisted of one case where the client had received duplicate AFDC assistance, one case where the client received duplicate food stamps, and two cases where investigators suspected multiple-case fraud had occurred but could not verify it.

Subsequent to the completion of our field work, LA County completed its investigation of the 137 cases. On January 24, 1996 LA County provided us with the final results which showed multiple-case fraud findings increasing from 4 to 31 cases, and other fraud findings decreasing from 90 to 63 cases. Of the 31 cases, LA County stated that 8 cases were found to have received AFDC/Food Stamp assistance on more than one case simultaneously and 23 cases were suspected[3] of committing multiple-case fraud. The final results have been verified by a third-party evaluation firm. However, as noted in the Scope, we did not perform additional auditing procedures to substantiate this updated information.

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[3] The investigators believe these 23 cases fit the profile for multiple-case fraud but were unable to obtain sufficient evidence to confirm that these cases received multiple AFDC payments.

Possibility of Multiple-Case Fraud. In our discussions with LA County officials, they have indicated that the possibility of multiple-case fraud cannot be ruled out in the no-show cases. Fraud investigators have told us that multiple-case fraud is very difficult to determine. In many cases, it may not be possible to make firm conclusions unless the individual comes in for fingerprinting. Even in cases where multiple-case fraud is suspected, investigators often are not able to identify the "other case." The whereabouts of some of the no-show individuals could not even be determined. Thus, there may be no practical way to determine the extent of multiple-case fraud in situations in which individuals fail to comply with the fingerprinting requirement. In classifying cases as multiple-case fraud, LA County relied on the experience and judgment of its fraud investigators.

In the study of 137 no-show cases, LA County reported that 8 cases were actually receiving duplicate AFDC/Food Stamp assistance (as stated above). These cases did not involve duplicate aid within Los Angeles County, but rather between Los Angeles County and other jurisdictions. Another 23 cases were classified as either "highly probable" or "phantom" multiple-case fraud. A case was considered "highly probable" based on certain facts of the case such as when a mail drop was used, or when the recipients' current whereabouts were unknown. A case was considered a "phantom" case if no evidence of the individuals' existence could be found. In the 23 cases, it was not determined whether or not multiple-case fraud actually existed. However, both ACF and LA County officials have told us that the major benefits expected to be achieved by the project relate to the prevention and deterrence of committing multiple-case fraud - not the actual detection of such fraud.

Investigations of Matched Fingerprints. In addition to the no-show cases, there were occurrences of multiple-case fraud within the AFDC program which were discovered through the matching of fingerprints. As of May 31, 1995, a total of 25 instances of suspected multiple-case fraud had been referred to the Los Angeles County District Attorney. The referrals were identified through the recording and matching of fingerprints for over 280,000 AFDC recipients and payees from the 311,000 caseload approved for AFDC assistance in April 1994. The 25 referrals represented only those instances where the AFDC recipients' or payees' fingerprint(s) matched with the fingerprint(s) of another AFDC recipient or payee. Other matches had been identified and referred to the District Attorney by LA County; however, those instances represent cases where an AFDC recipient/payee's fingerprint matched with a GR recipient/payee.

As of May 31, 1995, LA County found through its investigation of the 25 instances the following:

- Eleven referrals had sufficient evidence to warrant prosecution for multiple-case fraud. These cases consisted of instances where AFDC recipients either assumed the identities of relatives or other individuals, or used false identities.

- Eleven referrals were found not to represent potential multiple-case fraud. Although the fingerprints for these cases were matched, administrative or terminal operator errors were made which caused a match to be identified.

- Three referrals were still pending the completion of the District Attorney's investigations.

CONCLUSIONS

The LA County has achieved significant savings in addition to meeting the cost neutrality provisions of the AFIRM project. Further, the data shows that AFIRM has achieved positive results in combating fraud. However, if AFIRM is to be principally a tool to prevent, detect and deter multiple-case fraud, available data did not clearly demonstrate the cost effectiveness specifically for this type of fraud. This does not suggest that an insignificant number of multiple-case fraud exist. In fact, the results indicate that instances of multiple-case fraud may likely occur between two or more jurisdictions rather than within a single county. The AFIRM project was designed principally to test for multiple-case fraud within Los Angeles County.

There is an apparent increasing interest by States and other jurisdictions in using fingerprinting for minimizing AFDC multiple-case fraud. For purposes of consistency and comparative evaluations, uniform standards would be useful for classifying cases as multiple-case fraud.

At the time of preparing this report, approximately one-third of the AFIRM project period of 36 months remained. We are not making any recommendations with respect to the continued operation of the project over its established period of performance.

We are providing the information presented in this report for use by ACF in making decisions involving the future use of automated fingerprinting technology in the AFDC program.

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We have briefed representatives of your office on the results of this review. As noted previously, this report presents information on the AFIRM project in Los Angeles County for use by ACF in future management decisions regarding the use of automated fingerprinting technology in the AFDC program. Should you wish to discuss the issues included in the report, please call me or have your staff contact John A. Ferris, Assistant Inspector General for Administrations of Children, Family, and Aging Audits, at (202) 619-1175. We appreciate the courtesies that your staff have extended to us during this review.